

**Christopher T. Roach**

One Monument Square  
Portland, ME 04101

207-791-1373 voice  
207-791-1350 fax  
croach@pierceatwood.com  
pierceatwood.com

October 4, 2007

Eric A. Cioppa, Acting Superintendent  
c/o Vanessa Leon  
Docket No. INS-07-1000  
Maine Bureau of Insurance  
34 State House Station  
Augusta, Maine 04333-0034

*Re: Anthem BCBS 2008 HealthChoice Individual Rate Filing*  
Filing coversheet

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY: Christopher T. Roach

DATE: October 4, 2007

DOCUMENT TITLE: Anthem BCBS Response to Second Information Requests  
of the Attorney General

DOCUMENT TYPE: Response to Information Requests

CONFIDENTIAL: **No**

Thank you for your assistance in this matter.

Very truly yours,

/s/ Christopher T. Roach

cc: Thomas C. Sturtevant, Esquire  
Christina M. Moylan, Esquire  
Judith M. Shaw, Deputy Superintendent  
James Bowie, Esquire  
Joseph Ditre, Esquire

# NON-CONFIDENTIAL

---

---

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION  
BUREAU OF INSURANCE

	)	
	)	
	)	
In re: ANTHEM BLUE CROSS AND	)	
BLUE SHIELD 2008 INDIVIDUAL	)	APPLICANT'S RESPONSE TO
RATE FILING FOR	)	SECOND INFORMATION REQUEST
HEALTHCHOICE, HEALTHCHOICE	)	OF THE ATTORNEY GENERAL
STANDARD AND BASIC	)	
PRODUCTS	)	
	)	
	)	
	)	
Docket No. INS-07-1000	)	<b>October 4, 2007</b>
	)	
	)	

# NON-CONFIDENTIAL

---

---

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION  
BUREAU OF INSURANCE

IN RE:	)	
	)	
ANTHEM BLUE CROSS AND BLUE	)	
SHIELD 2008 INDIVIDUAL RATE	)	APPLICANTS' RESPONSE TO
FILING FOR HEALTHCHOICE,	)	SECOND INFORMATION
HEALTHCHOICE STANDARD AND	)	REQUEST OF THE ATTORNEY
BASIC PRODUCTS	)	GENERAL
	)	
Docket No. INS-07-1000	)	
		October 4, 2007

Applicant Anthem Health Plans of Maine, Inc., d/b/a Anthem Blue Cross and Blue Shield ("Anthem BCBS") hereby responds to the Second Information Request of the Attorney General dated September 28, 2007 as follows:

1. Please provide the 1 month moving claims data underlying the 12 month moving claims data shown in Exhibit VI of the rate filing.

**Response:** The requested information is included in the accompanying Excel spreadsheet.

2. Please provide the 1 month moving claims data requested above with the removal of claims in excess of \$100,000. Please exclude only the amount of cumulative claims over \$100,000 (for example, a person with \$150,000 in claims for the year should have \$50,000 removed from the data).

**Response:** The requested information is included in the accompanying Excel spreadsheet. Claim dollars are accumulated by member until reaching \$100,000 and then subsequent claims are excluded by incurred month within each calendar year.

3. As to your response to question 5 of the AG's 1<sup>st</sup> Informational Request, have the claims per contract per month (pcpm) shown been age adjusted? If not, please provide the claims pcpm after they have been age adjusted.

**Response:** The claims presented in response to 5 of the AG's 1<sup>st</sup> Informational Request are not age adjusted. The table, as amended in response to the Superintendent's 1<sup>st</sup> Informational request, is presented here with the average age per contract type. Age adjustments for claim impact can vary based on the source of the age related risk relativities therefore we have included the average subscriber ages so that the Attorney General can make its own determination of age adjusted claims.

<b>Total(all age bands)</b>		age adjusted	
<u>contract type</u>	<u>claim pcpm</u>	<u>claims pcpm</u>	<u>average age</u>
one adult	\$305	\$290	50.1
two adults	\$490	\$386	54.3
two adults and child(ren)	\$378	\$464	44.1
one adult and child(ren)	\$346	\$410	45.0

4. Given that the projected experience for calendar year 2007 has a loss ratio about equal to the target loss ratio for 2008, if the inherent deductible underlying the trend analysis for the projection period is about \$8,300 (Anthem's Response to AG's 1<sup>st</sup> Informational Request #2), why is the rate increase requested for the \$5,000 deductible plan (on average 21.4%) so much higher than the 15.2% trend? We would expect the rate increase for this benefit plan to be slightly under 15.2% after deductible leveraging is taken into account.

**Response:** Rate increases as proposed in the filing are not based solely on the difference in leveraging between the various benefit options. Rates for many benefit options are restricted by Rule 940 and the Mandated options are restricted by ruling of the Superintendent in last year's HealthChoice proceeding.

5. It appears that the \$5,000 deductible plan has the highest rate increase of all benefit plans offered. Since the benefit plans themselves do not have enough experience to be credible, we would expect that the increases requested would follow a pattern similar to the impact of the deductible leveraging in the trend. In other words, we would expect the plan with the largest

level deductible to have the highest rate increase due to deductible leveraging. Please explain why this is not the case.

**Response:** As noted in response to number four, leveraging is not the sole basis for the proposed rates. When deductibles differ substantially, as they do for the HealthChoice products, there is a wide range of rates that reasonably equate the rate with the value of the benefits of the particular product. All rates within the filing satisfy the rating requirements of Rule 940 (amended rates after adjustments related to number seven below will also satisfy Rule 940). Any differential between the formulaic approach suggested by the question and the actual proposed rate reflects actuarial judgment within the proper legal constraints of Rule 940.

6. Please provide the numerical development of the two adult / children rate for the \$5,000 deductible non-mandated plan for the age band 55-64. In the rate filing it is hard-coded as \$1,038.98 (Ex. III, p. 10). Anthem's response to question 4 of the AG's First Informational Request *describes the process* used to develop this number without providing the actual development.

**Response:** As stated in response to question 4 of the AG's First Informational Request, the basis rate for the \$5,000 deductible is set in order to achieve the required revenue as determined in Exhibit I. All rates are set to change as the rate for the \$5,000 deductible option changes, so the total required revenue can be achieved by adjustments to this one rate. No numerical development was provided because there is no numerical development of the noted rate.

7. In the demonstration shown in Exhibit IV that the current rates comply with Rule 940, why do the benefit plans in the second two groups of plans (starting with \$2,250 deductible plan) use a factor of 2.0 to determine the maximum allowable rate rule while the plans in the first group (starting with \$150/\$1,000) use a factor of 2.65? Are these the factors to convert the single deductible to the inherent deductible for the two adult / child rates? If yes, why didn't Anthem use the proposed contract type factor of 2.53 for this analysis?

**Response:** The difference in the factors used for the "two groups of plans" (the top "group" are renewable only benefit options and the bottom "group" are currently marketed benefit options) is due to the difference in the application of the deductible. Yes, these are intended to be the inherent

deductible for the family rates. The 2.53 should now be used for this calculation. When the 2.53 is used the renewable only options are slightly out of compliance with the rating requirements of Rule 940. Prior to the hearing Anthem BCBS will submit an amended filing which will bring these rates into compliance. However, it should be noted, that most of these options already are exempt to the rating restrictions of Rule 940.

8. We have generated the analysis in the table below, which we believe uses a methodology similar to the one shown in Exhibit IV for a couple of additional age bands and contract types. This analysis shows the proposed rates would not meet the requirements of Rule 940. Please review this analysis and state whether the results are consistent with those that would be generated using the methodology you used in Exhibit IV. If they are, please explain why the requested rates are appropriate.

Deductible/Coinsurance, Maximum Anthem Liability	Proposed Age 55 to 64 Single Contract	Annual Rule 940 Maximum Allowable	Monthly Rule 940 Maximum Allowable	Proposed	Rule 940 Exemption	Pass/Fail
	Effective January 1, 2008	Rate Difference	Rate Difference	Differential	Cost Sharing Based Utilization Adjustment	
\$150/\$1000	\$ 888.44	\$ 150.00	\$ 12.50	\$ 13.08	1.1%	fail
\$300/\$1000	865.69	200.00	16.67	17.45	1.6%	fail
\$500/\$1000	834.61	250.00	20.83	21.81	1.0%	fail
\$750/\$1000	804.54	250.00	20.83	21.82	1.1%	fail
\$1000/\$1000	773.97	1,000.00	83.33	87.27	4.4%	fail
\$2000/\$1000 compare to \$4000/\$1000	654.08	2,000.00	166.67			

Deductible/Coinsurance, Maximum Anthem Liability	Proposed Age 55 to 64 Two Adult Family	Annual Rule 940 Maximum Allowable	Monthly Rule 940 Maximum Allowable	Proposed	Rule 940 Exemption	Pass/Fail
	Effective January 1, 2008	Rate Difference	Rate Difference	Differential	Cost Sharing Based Utilization Adjustment	
\$150/\$1000	\$ 2,247.76	\$ 397.50	\$ 33.13	\$ 33.10	1.1%	pass
\$300/\$1000	2,190.20	530.00	44.17	44.14	1.6%	pass
\$500/\$1000	2,111.57	662.50	55.21	55.18	1.0%	pass
\$750/\$1000	2,035.48	662.50	55.21	55.18	1.1%	pass
\$1000/\$1000	1,958.15	2,650.00	220.83	220.80	4.4%	pass
\$2000/\$1000 compare to \$4000/\$1000	1,654.82	5,300.00	441.67			

Deductible/Coinsurance, Maximum Anthem Liability	Proposed Age 65+ Two Adult Family	Annual Rule 940 Maximum Allowable	Monthly Rule 940 Maximum Allowable	Proposed	Rule 940 Exemption	Pass/Fail
	Effective January 1, 2008	Rate Difference	Rate Difference	Differential	Cost Sharing Based Utilization Adjustment	
\$150/\$1000	\$ 2,809.70	\$ 397.50	\$33.13	\$ 41.38	1.1%	fail
\$300/\$1000	2,737.75	530.00	\$44.17	55.18	1.6%	fail
\$500/\$1000	2,639.46	662.50	\$55.21	68.98	1.0%	fail
\$750/\$1000	2,544.35	662.50	\$55.21	68.98	1.1%	fail
\$1000/\$1000	2,447.69	2,650.00	\$220.83	276.00	4.4%	fail
\$2000/\$1000 compare to \$4000/\$1000	2,068.53	5,300.00	\$441.67			

**Response:** In the Attorney General's first table you have changed the family deductible factor from 2.65 to 2.53 in order to determine the satisfaction of Rule 940 rating requirements prior to the exemption. If the 2.65 is used the rates satisfy Rule 940 prior to the application of the exemption. As noted above Anthem BCBS will make changes to account for the application of the 2.53 factor.

In the Attorney General's third table you have analyzed the proposed rates for the 65+ age category. Rates for this age category are not subject to the rating restriction of plus or minus 20% from the community rate. Moreover, holding these rates to the Rule 940 rating requirement would force unreasonable rating relativities in the lower age bands. Anthem BCBS has made it clear in past filings that it ensures that the two adult family rate for the age 55 to 64 category satisfies Rule 940 as it is the widest rate difference between consecutive benefit options. This practice ensures that all other younger age bands and fewer average member per contract types will satisfy Rule 940 as well.

DATED: October 4, 2007

/s/ Christopher T. Roach  
Christopher T. Roach, Esq.

PIERCE ATWOOD LLP  
One Monument Square  
Portland, Maine 04101  
*Attorney for Applicant*

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 4, 2007, a copy of the Non-Confidential Version of Applicant's Response to the Second Information Request of the Attorney General was served in the manner indicated on each of the persons listed below:

Thomas C. Sturtevant, Esq. (via electronic mail and U.S. Mail)  
State of Maine  
Department of the Attorney General  
6 State House Station  
Augusta, Maine 04333-0006  
(Counsel to the Superintendent)

Christina Moylan, Esq. (via electronic mail and U.S. Mail)  
State of Maine  
Department of the Attorney General  
6 State House Station  
Augusta, Maine 04333-0006  
(Office of the Attorney General)

James Bowie, Esq. (via electronic mail and U.S. Mail)  
State of Maine  
Department of the Attorney General  
6 State House Station  
Augusta, Maine 04333-0006  
(Counsel to the Advocacy Panel)

Joseph Ditre, Esq. (via electronic mail and U.S. Mail)  
39 Green Street  
Augusta, Maine 04330  
(Counsel to Consumers for Affordable Health Care Coalition)

DATED October 4, 2007

/s/ Christopher T. Roach  
Christopher T. Roach, Esq.

PIERCE ATWOOD LLP  
One Monument Square  
Portland, Maine 04101  
(207) 791-1100  
*Attorney for Applicant*